



2 Stocks to Watch Next Week

Description

At the close of business yesterday, the **Toronto Stock Exchange 300 Composite Index** (^GSPTSE) had already gained 0.8% for the week and was heading for another record weekly close. **Canadian National Railway** continued its upward trend after reporting good results, growing by 1.4%, but **Bell Aliant** and **Talisman Energy** [stole the show](#) after announcements on Wednesday. Their stocks rose by 11.8% and 12% respectively.

The main corporate results season is now in full swing, with more of the heavyweight companies reporting results in the coming week — the expected highlights are discussed below.

The second-quarter results of **Suncor Energy** ([TSX: SU](#))([NYSE: SU](#)) will be reported on July 30, and consensus estimates indicate a substantial jump in profits per share to \$0.94 from \$0.62 a year ago.

The first quarter delivered excellent levels of profitability and cash flow supported by higher upstream price realizations, record refining profits, and the weaker Canadian dollar. Production was somewhat disappointing, mainly impacted by the ongoing shutdown of production export terminals in Libya.

The second-quarter results will have the benefit of a comparison to a relatively weak comparable period in 2013, when both production and profits were at the lowest level for the year, as well as a weaker Canadian dollar, which will boost profits.

The company has a strong focus on the return of profits to investors through an ongoing share buyback program and a rapidly increasing dividend. In particular, 8% of all outstanding shares have been bought back from the start of the program in 2011, with another \$1 billion buyback program announced earlier this year. Investors will be looking for a further reduction in the outstanding shares in the second quarter and an improved dividend.

Suncor's share price has performed well since the start of the year, adding more than 20% while oil prices are roughly unchanged despite volatile movements. The stock valuation is not demanding in absolute or relative terms, but the stock will need good results and a supportive oil price to maintain its momentum.

Thomson Reuters ([TSX: TRI](#))(NYSE: TRI) is expected to report results on Wednesday, and consensus estimates indicate a decline in profits per share to \$0.46 compared to \$0.48 a year ago.

The company has been struggling to grow profitability for a number of years and the largest division, financial and risk, has been undergoing a major reorganization over the past two years. Scant evidence of any improvement has been evident to date and the latest results were only boosted by the deferral of further restructuring charges.

Investors will be looking for signs of improved performance in the financial and risk division given the recent enhancements to its flagship Eikon product, as well as some price increases pushed through early in 2014. The legal and tax and accounting divisions are expected to show a roughly unchanged performance. Restructuring cost savings may support net income, which is expected to be slightly lower than a year earlier.

Reuters' share price progressed strongly since the start of 2013 but has gone nowhere since the start of 2014. Investors may start to lose patience with the ongoing recovery situation if real progress does not become evident soon.

CATEGORY

1. Investing

TICKERS GLOBAL

1. NASDAQ:TRI (Thomson Reuters)
2. NYSE:SU (Suncor Energy Inc.)
3. TSX:SU (Suncor Energy Inc.)
4. TSX:TRI (Thomson Reuters)

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